

**PRAIRIE GREGG GRAVITY
DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2**
Vermilion Parish, Louisiana

Financial Report

Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Prairie Gregg Gravity Drainage District
and Sub Drainage District #2
Vermilion Parish, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Prairie Gregg Gravity Drainage District and Sub Drainage District #2, (the District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District, as of December 31, 2012, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 10 to the financial statements, the District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in 2012, our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as "Other Supplementary Information" on page 27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
June 3, 2013

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2

Statement of Net Position
December 31, 2012

ASSETS

Cash and interest-bearing deposits	\$ 756,891
Due from other governmental units	675,024
Prepaid items	6,901
Capital assets, net	<u>230,927</u>
 Total assets	 <u>1,669,743</u>
 Deferred outflows of resources	 <u>-</u>

LIABILITIES

Accounts and other payables	<u>17,619</u>
 Deferred inflows of resources	 <u>-</u>

NET POSITION

Net investment in capital assets	230,927
Unrestricted	<u>1,421,197</u>
Total net position	<u><u>\$ 1,652,124</u></u>

The accompanying notes are an integral part of the basic financial statements.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2

Statement of Activities
For the Year Ended December 31, 2012

Expenses:	
Public works	<u>\$ 681,714</u>
General revenues:	
Ad valorem taxes	715,728
State revenue sharing	6,373
Investment earnings	<u>2,803</u>
Total general revenues	<u>724,904</u>
Change in net position	43,190
Net position, beginning	<u>1,608,934</u>
Net position, ending	<u><u>\$ 1,652,124</u></u>

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2

Balance Sheet - Governmental Fund
December 31, 2012

ASSETS

Cash and cash equivalents	\$ 756,891
Due from other governments	675,024
Prepaid insurance	<u>6,901</u>
 Total assets	 <u><u>\$1,438,816</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 15,844
Payroll taxes payable	<u>1,775</u>
Total liabilities	<u>17,619</u>
 Fund balance:	
Nonspendable	6,901
Unassigned	<u>1,414,296</u>
 Total fund balance	 <u>1,421,197</u>
 Total liabilities and fund balance	 <u><u>\$1,438,816</u></u>

The accompanying notes are an integral part of the basic financial statements.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
December 31, 2012

Total fund balance for the governmental fund at December 31, 2012	\$ 1,421,197
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Equipment, net of \$828,682 accumulated depreciation	<u>230,927</u>
Total net position of governmental activities at December 31, 2012	<u>\$ 1,652,124</u>

The accompanying notes are an integral part of the basic financial statements.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2

Statement of Revenues, Expenditures, and Changes in Fund Balance-
Governmental Fund

For the Year Ended December 31, 2012

Revenues:	
Taxes - ad valorem	\$ 715,728
Intergovernmental	
State revenue sharing	6,373
Interest income	<u>2,803</u>
Total revenues	<u>724,904</u>
Expenditures:	
Current -	
Public works	594,257
Capital outlay	<u>16,466</u>
Total expenditures	<u>610,723</u>
Excess of revenues over expenditures	114,181
Fund balance, beginning	<u>1,307,016</u>
Fund balance, ending	<u><u>\$ 1,421,197</u></u>

The accompanying notes are an integral part of the basic financial statements.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
For the Year Ended December 31, 2012

Total net changes in fund balance at December 31, 2012 per Statement of Revenues, Expenditures and Changes in Fund Balance			\$ 114,181
The change in net position reported for governmental activities in the statement of activities is different because:			
Add: Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balance		16,466	
Less: Depreciation expense for the year ended December 31, 2012		<u>(87,457)</u>	<u>(70,991)</u>
Total changes in net position at December 31, 2012 per Statement of Activities			<u>\$ 43,190</u>

The accompanying notes are an integral part of the basic financial statements.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Prairie Gregg Gravity Drainage District and Sub Drainage District #2 (the Drainage District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in the subsequent subsection of this note.

Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513 and to the guides set forth in the industry audit guide, Audits of State and Local Governments.

A. Financial Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the Police Jury is determined on the basis of the following criteria:

1. Appointment of governing board
2. Designation of management
3. Ability to significantly influence operations
4. Accountability for fiscal matters
5. Scope of public service

Because the Police Jury created the District and appoints its board of commissioners, the Drainage District was determined to be a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only on the funds maintained by the Drainage District and do not present information on the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Drainage District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients for goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

C. Fund Accounting

The accounts of the Drainage District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Drainage District maintains only one fund. It is categorized as a governmental fund. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major fund of the Drainage District is described below:

Governmental Fund -

General Fund

The General Fund is the general operating fund of the Drainage District. It is used to account for all financial resources except those required to be accounted for in another fund.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

D. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. The governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on its balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statement utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery) and financial position. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
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Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts and certificates of deposits of the Drainage District.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Drainage District maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Equipment	5-10 years
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Compensated Absences

Full-time employees of the Drainage District with one year of service are allowed one week of vacation leave each year; full-time employees with two years of service are allowed two weeks of vacation leave each year; full-time employees with ten years of service are allowed three weeks of vacation leave each year; and full-time employees with twenty years of service are allowed four weeks of vacation leave each year. Vacation leave does not accumulate from year to year. Full-time employees are allowed one day sick leave for each month worked beginning with the day they are employed. Employees can accumulate up to 148 days of sick leave, but the sick pay does not vest upon termination. Employees who resign, retire or are dismissed from employment shall not be paid for any accrued sick leave.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

The Drainage District has no restricted net position at December 31, 2012.

In the fund statements, governmental fund equity is classified as fund balance as follows.

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

Committed – amounts that can be used only for specific purposes determined by a formal action of the Drainage District board members. The Board is the highest level of decision-making authority for the Drainage District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Board members.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Drainage District's adopted policy, only Board members may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of December 31, 2012, fund balances are composed of the following:

	<u>General Fund</u>
Nonspendable:	
Prepaid items	\$ 6,901
Unassigned	<u>1,414,296</u>
Total fund balances	<u><u>\$ 1,421,197</u></u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Drainage District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Drainage District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Board members have provided otherwise in its commitment or assignment actions.

F. Revenues, Expenditures, and Expenses

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by character and function. In the fund financial statements, expenditures are classified by character.

G. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

H. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Drainage District as an extension of formal budgetary integration in the funds.

(2) Cash and Interest-Bearing Deposits

Under state law, the Drainage District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Drainage District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2012, the Drainage District has cash and interest-bearing deposits (book balances) totaling \$756,891, as follows:

Demand deposits	\$ 201,744
Interest-bearing demand and savings accounts	<u>555,147</u>
Total	<u>\$ 756,891</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2012, are as follows:

Bank balances	<u>\$ 772,677</u>
At December 31, 2012 the deposits are secured as follows:	
Federal deposit insurance	707,108
Uninsured and collateral held by the pledging bank, not in the District's name	<u>65,569</u>
Total	<u>\$ 772,677</u>

As of December 31, 2012, the District's total bank balances were insured and/or collateralized with pledged securities held by the custodial bank in the name of the pledging financial institution for the District and, therefore, they were not exposed to custodial credit risk.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

(3) Capital Assets

Capital asset balances and activity for the year ended December 31, 2012 is as follows:

	<u>Balance</u> <u>1/1/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/12</u>
Capital assets being depreciated:				
Equipment	\$ 1,043,143	\$ 16,466	\$ -	\$ 1,059,609
Less accumulated depreciation:				
Equipment	<u>741,225</u>	<u>87,457</u>	<u>-</u>	<u>828,682</u>
Net capital assets	<u>\$ 301,918</u>	<u>\$ (70,991)</u>	<u>\$ -</u>	<u>\$ 230,927</u>

Depreciation expense, which totaled \$87,457 for 2012, was charged to the public works function.

(4) Accounts and Other Payables

The accounts and other payables consisted of the following at December 31, 2012:

Accounts	\$ 15,844
Payroll Taxes	<u>1,775</u>
Totals	<u>\$ 17,619</u>

(5) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in November 15 and are actually billed to the taxpayers in December. Billed taxes are due by December 31, becoming delinquent on January 1 of the following year.

Tax revenues are recognized in the year they are billed.

The taxes are based on assessed values determined by the Tax Assessor of Vermilion Parish and are collected by the Sheriff. The taxes are remitted to the Drainage District net of deductions for Pension Fund Contributions.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
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Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

For the years ended December 31, 2012, taxes of 37.87 mills were levied on property with net assessed valuations totaling \$17,922,800, and were dedicated to paying the administrative, operations and maintenance expenditures for the Drainage District.

Total taxes levied during 2012 were \$678,736. Taxes receivable at December 31, 2012 amounted to \$675,024.

(6) Due from Other Governmental Units

Amounts due from other governmental units at December 31, 2012 consisted of the following:

Vermilion Parish Sheriff's Department -	
Ad valorem taxes	<u>\$ 675,024</u>

(7) Risk Management

The Drainage District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Drainage District carries commercial insurance. There have been no significant reductions in the insurance coverage during the year.

(8) Compensation Paid Board of Commissioner

The schedule of compensation paid board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. The per diem paid to board members is included in the expenditures of the General Fund. Each board member received \$150 for each day of attendance at meetings of the board. The schedule of compensation at December 31, 2012 is as follows:

John Broussard	\$ 1,800
Mark Broussard	1,800
Henrik Kasperski	1,800
Willie Morgan	1,800
Emile Thibodeaux	<u>1,500</u>
Total	<u>\$ 8,700</u>

(9) Litigation

There was no litigation pending against the Drainage District at December 31, 2012.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Financial Statements (Continued)

(10) New Accounting Pronouncements

During the fiscal year ended December 31, 2012, the Drainage District adopted GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement clarifies the appropriate reporting of deferred outflows of resources or deferred inflows of resources to ensure consistency in financial reporting. The provisions of GASB No. 65 must be implemented by the District for the year ending December 31, 2013. The effect of implementation on the District's financial statements has not yet been determined.

(11) Subsequent Events

The district has evaluated subsequent events through June 3, 2013, the date which the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY INFORMATION**

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2

Budgetary Comparison Schedule
Governmental Fund
For the Year Ended December 31, 2012

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes - ad valorem	\$ 540,000	\$ 755,380	\$ 715,728	\$ (39,652)
Intergovernmental				
State revenue sharing	-	-	6,373	6,373
Interest Income	-	-	2,803	2,803
Total revenues	<u>540,000</u>	<u>755,380</u>	<u>724,904</u>	<u>(30,476)</u>
Expenditures:				
Current:				
Public works	530,600	622,163	594,257	27,906
Capital outlay	-	-	16,466	(16,466)
Total expenditures	<u>530,600</u>	<u>622,163</u>	<u>610,723</u>	<u>11,440</u>
Excess of revenues over expenditures	9,400	133,217	114,181	(19,036)
Fund balance, beginning	<u>1,307,016</u>	<u>1,307,016</u>	<u>1,307,016</u>	<u>-</u>
Fund balance, ending	<u><u>\$1,316,416</u></u>	<u><u>\$ 1,440,233</u></u>	<u><u>\$ 1,421,197</u></u>	<u><u>\$ (19,036)</u></u>

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Notes to Budgetary Comparison Schedule

I. Budgetary Practices

The Drainage District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Drainage District's Secretary/Treasurer prepares a proposed budget and presents it to the Board of Commissioners prior to fifteen days before the beginning of each fiscal year.
2. Any changes in the proposed annual operating budget requires a majority vote of the Board of Commissioners.
3. No later than the last regular meeting of the fiscal year, the Board of Commissioners adopts the annual operating budget for the ensuing fiscal year.
4. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Budget appropriations lapse at year-end.

For the year ended December 31, 2012, expenditures did not exceed appropriations in the General Fund.

OTHER SUPPLEMENTARY INFORMATION

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
General Fund

Detailed Budgetary Comparison Schedule
For the Year Ended December 31, 2012

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes - ad valorem	\$ 540,000	\$ 755,380	\$ 715,728	\$ (39,652)
State revenue sharing	-	-	6,373	6,373
Interest	-	-	2,803	2,803
Total revenues	<u>540,000</u>	<u>755,380</u>	<u>724,904</u>	<u>(30,476)</u>
Expenditures:				
Current -				
Public works -				
Auto and truck	24,000	24,000	26,251	(2,251)
Board member fees	9,000	9,000	8,450	550
Fuel, oil and lubricants	55,000	55,000	45,236	9,764
Insurance - group	105,000	131,667	116,470	15,197
Insurance	15,000	15,000	24,666	(9,666)
Miscellaneous	200	200	5,799	(5,599)
Office supplies	2,000	2,000	2,608	(608)
Pension expense	-	-	21,476	(21,476)
Professional fees	11,000	23,087	9,897	13,190
Rent, repairs and maintenance	50,500	103,309	86,587	16,722
Salaries	230,000	230,000	219,208	10,792
Supplies	8,000	8,000	3,914	4,086
Taxes and licenses	15,000	15,000	18,464	(3,464)
Utilities	5,900	5,900	5,285	615
Capital Outlay	<u>-</u>	<u>-</u>	<u>16,466</u>	<u>(16,466)</u>
Total expenditures	<u>530,600</u>	<u>622,163</u>	<u>610,723</u>	<u>11,440</u>
Excess of revenues over expenditures	9,400	133,217	114,181	(19,036)
Fund balance, beginning	<u>1,307,016</u>	<u>1,307,016</u>	<u>1,307,016</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,316,416</u>	<u>\$ 1,440,233</u>	<u>\$ 1,421,197</u>	<u>\$ (19,036)</u>

**INTERNAL CONTROL,
COMPLIANCE
AND
OTHER MATTERS**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Penny Angelle Scruggins, CPA
Christine C. Doucet, CPA

Wanda F. Arcement, CPA,CVA
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Jane R. Hebert, CPA
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Retired:
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Tynes E. Mixon, Jr., CPA 2011
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Prairie Gregg Gravity Drainage District
and Sub Drainage District #2
Vermilion Parish, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of Prairie Gregg Gravity Drainage District and Sub Drainage District #2, (the District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 3, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting(internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 12-1 that we consider to be a material weakness but no significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect

and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

Prairie Gregg Gravity Drainage District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
June 3, 2013

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2012

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

12-1 Inadequate Segregation of Accounting Functions

CONDITION: Prairie Gregg Gravity Drainage District did not have adequate segregation of functions within the accounting system.

CRITERIA: SAS109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, AU§314.43 defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT§501.03 states:

“An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.”

CAUSE: The cause of the condition is the fact that the District does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mr. Larry Lee, Secretary/Treasurer, determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.

PRAIRIE GREGG GRAVITY DRAINAGE DISTRICT
AND SUB DRAINAGE DISTRICT #2
Vermilion Parish, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended December 31, 2012

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

11-1 Inadequate Segregation of Accounting Functions

CONDITION: Prairie Gregg Gravity Drainage District did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Based upon the cost-benefit of additional personnel, it would not be feasible to achieve complete segregation of duties.

CURRENT STATUS: Unresolved. See item 12-1.

11-2 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: Prairie Gregg Gravity Drainage District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

CURRENT STATUS: Resolved.